



# U.S. Commercial Paper Market Update

Week Ended June 28, 2024



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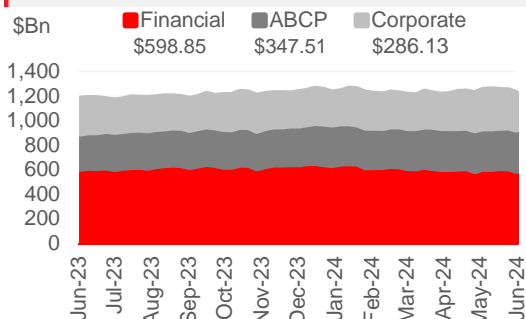
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# Market Commentary and Sell-Side Activity

## Outstanding CP

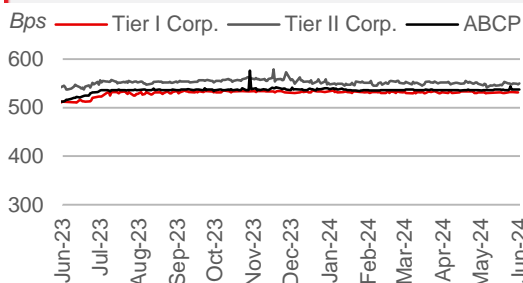


## Change in Outstanding CP

### USCP Market

Type	Weekly Δ	W-o-W Δ	Y-o-Y Δ
Corporate	-\$36.73B	-11.38%	7.90%
Financial	\$10.32B	1.75%	-2.64%
ABCP	\$7.52B	2.21%	17.30%
<b>Total CP</b>	<b>-\$18.79B</b>	<b>-1.50%</b>	<b>4.87%</b>

## 1-Month Average CP Rates



## Change in Rates

### Indicative Offering Levels (bps)

Type	1M	W-o-W Δ	3M	W-o-W Δ
Tier I Corp.	537-548	0.00	539-549	0.00
Tier II Corp.	552-567	0.00	565-580	0.00
Tier III Corp.	600-615	0.00	608-623	0.00
ABCP	540-550	0.00	542-552	0.00
Tier I Fin.	540-550	0.00	542-552	0.00

### Benchmark Rates

Type	6/26/2024	W-o-W Δ	Y-o-Y Δ
Fed Effective	533.00	0.00	26.00
O/N GC Repo	538.90	4.40	24.80
SOFR	534.00	2.00	28.00
1 M Term SOFR	534.39	0.03	24.14
3 M Term SOFR	533.46	-1.29	9.27

## Commercial Paper Market Overview

Last week, market participants digested more economic data and Fedspeak. New Home Sales for the month of May came in below expectations at 619k (633k exp), the slowest pace since November. GDP Annualized QoQ was reported in line with expectations at 1.4% (1.3% prior). Friday's Core personal consumption expenditure, the Fed's preferred gauge of inflation, came in line with expectations increasing 0.1% from the prior month, the smallest advance in six months, and rose 2.6% YoY, the least since 2021. Personal Income and Personal Spending were little changed at 0.5% (0.4% exp) and 0.2% (0.3% exp) respectively. University of Michigan Sentiment came in above expectations at 68.2 (vs. 66.0 exp) as consumers are becoming more optimistic about inflation and the prospect of interest rate cuts this year. However, Fed officials continue to reiterate the need for signs of continued disinflation before they reach a confidence level required to cut rates. Fed Governor Bowman said, "Inflation in the US remains elevated", pointing out that inflation risks suggest that rate cuts are not yet warranted. The market continues to price in more rate cuts this year than the Fed. There is currently a 12% and 68% market implied probability of a rate cut by the July and September FOMC meetings, respectively. The first rate cut is fully priced-in at the November 7th FOMC meeting. Equities were mixed on the week with the Dow and S&P down 0.1% while the Nasdaq was up 0.2%. The 2-year closed the week at 4.75% (+2bps) and the 10-year closed at 4.40% (+14bps).

As is typical for quarter-end, CP outstanding decreased \$18.79B WoW with a \$10.32B increase in Financial paper and a \$7.52B increase in ABCP outpacing a \$36.73B decline in Corporate paper. Tier II outstandings are down ~15% from earlier this year due in part to increased activity in term debt markets, as proceeds are used to pay down CP maturities. MUFG observed solid demand for CP throughout the week in all sectors, given relative lack of supply. As expected, liquidity velocity slowed on Friday – a trend we expect to remain throughout the summer. Wednesday is an early market closure ahead of the 4th of July Holiday. MUFG expects thin staffing on all sides and recommends getting your paper placed as early as possible in the first half of the week. Any reasonably priced paper that prices in the likelihood of rates staying "higher for longer" is expected to be met with ample demand. Usage of the Fed's RRP Facility skyrocketed Friday, with 93 users taking \$664 billion in collateral, demonstrating the significant amounts of cash on the short-end meeting limited supply.

S&P Global US Manufacturing PMI and ISM Manufacturing data will be released on Monday; Factory Orders, Durable Goods Orders, and Minutes from the last FOMC meeting will be released on Wednesday; the employment report will be released on Friday.

# Buy-Side Activity

## Money Market Flows

Money Market Funds (\$Bn)			
Type	6/26/2024	W-o-W Δ (%)	YTD Δ (%)
Prime Retail	774.27	0.01	38.07
Prime Institutional	415.37	0.61	-34.21
Government Retail	1,261.85	-0.19	14.71
Government Institutional	2,207.45	1.00	13.40
Treasury Retail	343.69	0.03	25.77
Treasury Institutional	1,361.22	-0.99	13.65

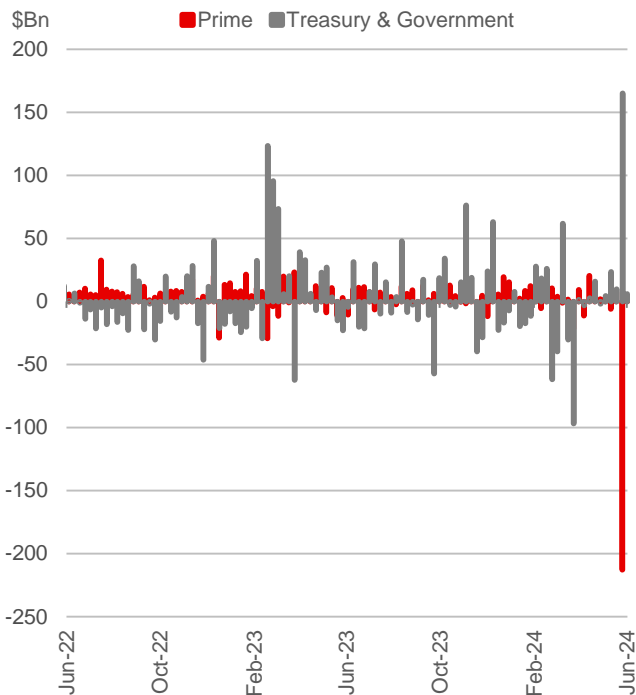
## Prime Money Fund Statistics

Prime Money Market Funds			
Type	6/26/2024	Weekly Δ	YTD Δ
PrmRt WAM (days)	32.59	-0.30	-4.79
PrmRt WAL (days)	53.27	-0.01	11.81
PrmRt 7-Day Yield (bps)	502.63	0.40	98.11
Prmlns WAM (days)	33.73	-0.76	0.94
Prmlns WAL (days)	24.72	-0.16	-19.52
Prmlns 7-Day Yield (bps)	518.11	0.12	96.44

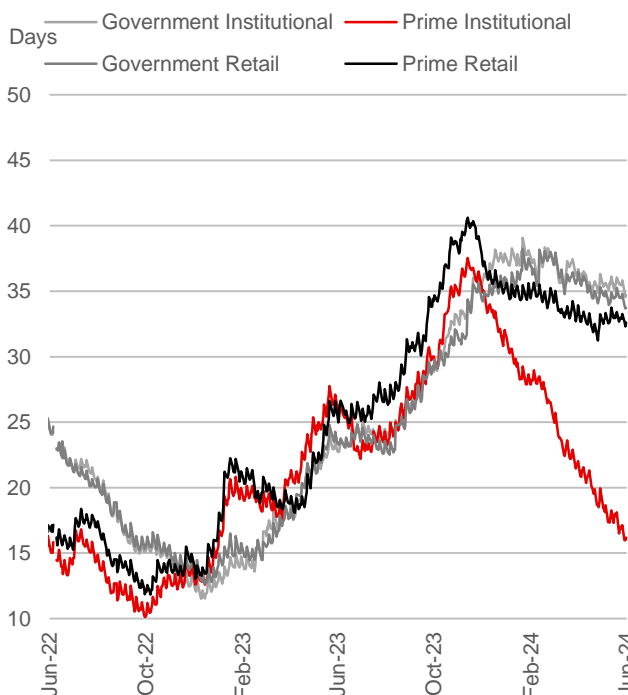
## Overview

- Prime Institutional money fund WAMs decreased by 0.76 days WoW to 33.73 days
- Prime Institutional 7-Day Yields increased 0.12 bps WoW to 518.11 bps, while Prime Retail 7-Day Yields increased 0.40 bps WoW to 502.63 bps
- Since SVB entered receivership, Prime Money Funds AUM have increased by \$19B, while Government and Treasury Funds have increased by \$767B and \$409B respectively
- SEC Rule 2a-7 Amendments became effective on last October 2nd
  - > In April, Prime Money Market funds increased their daily liquid asset bucket from 10% to 25%; and their weekly liquid asset bucket from 25% to 50%
  - > In October, Prime Funds will need to implement mandatory fees should net redemptions exceed 5% in one day. To date, Vanguard, Capital Group, Goldman Sachs Asset Management, and Dreyfus have announced plans to shutter 2a-7 Prime funds; ~\$220B in AUM

## Weekly Money Market Flows: Prime vs. Treasury/Government



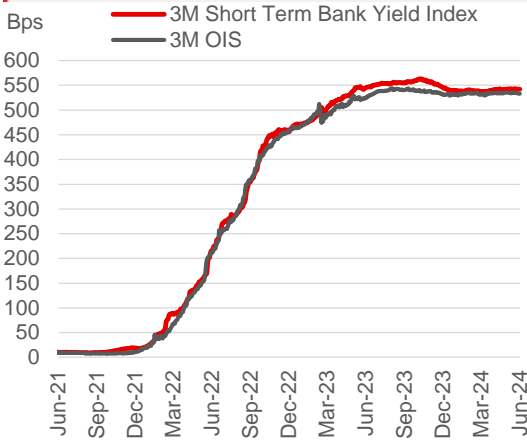
## Money Fund WAMS



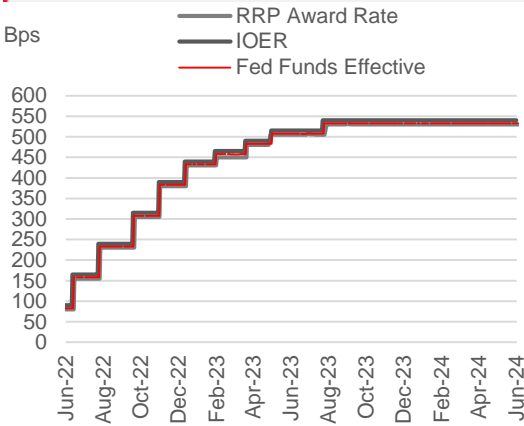
Source: Federal Reserve Bank, Bloomberg, Crane Data

# Federal Reserve and Calendars

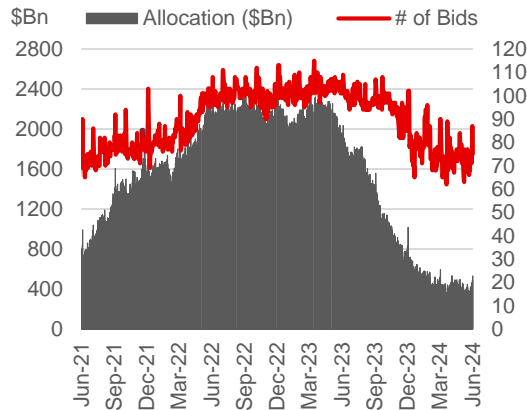
## 3-Month BSBY & 3-Month OIS



## Fed Funds Effective Rate



## Reverse Repo Facility Usage



Sources: Federal Reserve Bank, Bloomberg

## Issuance Calendar

- Favorable – see Economic Release table below
- SIFMA Holiday
- Month-, Quarter-, Year-End, Corp. Tax Day
- BOE, BOJ, and/or ECB meeting
- FOMC Meetings

### JUNE

M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

### SEPTEMBER

M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

### JULY

M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

### OCTOBER

M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

### AUGUST

M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

### NOVEMBER

M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

## Upcoming Economic Calendar

Date	Time (ET)	Release	Period	Survey	Prior
1-Jul	9:45	S&P Global US Manufacturing PMI	Jun F	51.7	51.7
1-Jul	10:00	ISM Manufacturing	Jun	49.2	48.7
3-Jul	7:00	MBA Mortgage Applications	28-Jun	--	0.80%
3-Jul	8:15	ADP Employment Change	Jun	158k	152k
3-Jul	8:30	Trade Balance	May	-\$76.0b	-\$74.6b
3-Jul	8:30	Initial Jobless Claims	29-Jun	235k	233k
3-Jul	10:00	Factory Orders	May	0.3%	0.7%
3-Jul	10:00	Durable Goods Orders	May F	--	0.1%
5-Jul	8:30	Change in Nonfarm Payrolls	Jun	188k	272k
5-Jul	8:30	Unemployment Rate	Jun	4.0%	4.0%

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